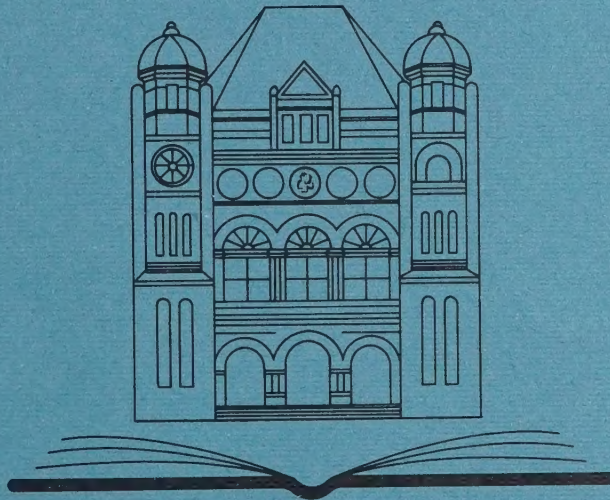


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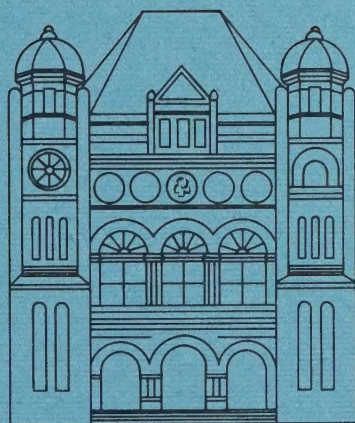
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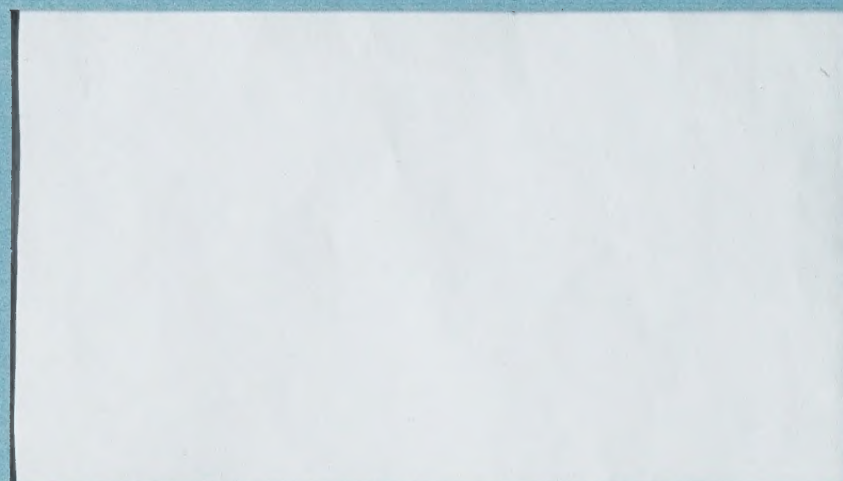
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ISSN 1206-1514  
Number B-3

September 1996



The Legislative Research Service is a branch of the Ontario Legislative Library which provides confidential non-partisan research analysis to Members of all parties of the Legislative Assembly and to legislative committees.

Originally prepared in July 1996 as background notes for the Ontario delegation to the 35th Canadian Regional Conference of the Commonwealth Parliamentary Association.



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## INTRODUCTION

Gambling, or as the industry calls it, gaming, has grown from small beginnings no more than a decade ago to a major industry. In the process, key issues now confront policy makers, stakeholders and the public at large.

This paper provides a brief overview of the following:

- History of legalized gaming;
- Casino gaming;
- Video lottery terminals; and
- Major issues surrounding gaming, focusing on its impact on charitable gaming and addiction-related issues.

## GAMING IN CANADA

### History

Until the 1980s, gaming in Canada was regulated by the federal Criminal Code, “but when individual provinces began demanding a right to control gaming themselves, the federal government brokered a deal with them.”<sup>1</sup>

In order to pay for the 1988 Winter Olympics in Calgary, the federal government shifted jurisdiction of gaming to the provincial level. In return, the federal government would collect \$100 million in gaming revenues from the provinces to help pay for the Olympic games.

Gaming is now a \$10 billion a year plus industry in Canada.<sup>2</sup>

### Casinos

Casinos have become a major part of the gaming industry. Only three years ago, Canada’s sole casino was a small gambling hall in Winnipeg. Today, eight casinos across the country are taking in revenue of more than \$1 billion a year, making the industry one of Canada’s fastest growing sectors.<sup>3</sup>

Financially strapped provincial governments, which received \$580 million from casinos last year, are expected to allow the number of gambling halls to double in the next year, analysts say. In 1997, the provincial take will rise to an estimated \$1.2 billion.

By mid-1996, casinos are expected to employ 30,000 people, almost half the number of Canadians working for the forestry industry. Winnipeg’s Crystal Casino was the country’s first, opening on New Year’s Eve 1989.



The following table lists those casinos which generated revenue in 1994-95. (Since then, the Northern Belle and Casino Rama have started operating in Ontario and a casino in Niagara Falls is slated to open in the near future.)

Province	Net Provincial Profits (94-95) (\$ Millions)	Casino
Ontario	316	Casino Windsor
Quebec	193	Casino de Hull Casino de Montréal Casino de Charlevoix
Manitoba	68.3	Crystal Casino Club Regent McPhillips Street Station
Saskatchewan	5.1*	Club Regina
Nova Scotia	N/A	ITT Sheraton Hotel Sheraton

\*Saskatchewan figures are for 1993/94

Source: Canadian Casino News

Casino development has slowed recently. The exception is Ontario where Niagara Falls will see a casino expected to employ about 2,800 people and generate an estimated \$375 million for the provincial government.

## Other Gaming

The following table provides revenue figures for gaming activities, excluding casinos, across Canada in 1995.



### Gaming Revenues, excluding casinos, Canada 1995 (\$ Millions)

	Instant & Pulltabs	Lotto	3-digit	4-digit	Sports	Passive	Keno	VLTs	Other	Total
<b>B.C.</b>	319.52	353.99	5.86		27.78	7.62	14.52	0.00	47.16	776.44
<b>Alta.</b>	77.52	204.84	4.73		27.90	2.42		356.70	44.80	718.91
<b>Sask.</b>	30.03	56.88	1.26		7.13	0.63	1.08	101.20	15.42	213.63
<b>Man.</b>	29.50	68.04	2.22		11.98	0.57		120.00	14.17	246.48
<b>Ont.</b>	510.27	1,112.56	48.18		209.04	61.08		0.00		1,941.13
<b>Queb.</b>	332.14	742.02	22.78		40.61	120.42	129.52	300.00	106.64	1,794.13
<b>N.B.</b>	42.30	43.38		1.07	1.23	0.36	2.20	91.00	7.90	189.45
<b>N.S.</b>	71.08	64.57		1.36	2.33	1.22	4.01	90.00	8.14	242.71
<b>P.E.I.</b>	9.01	8.25		0.17	0.38	0.03	0.50	14.00	1.24	33.58
<b>Nfld.</b>	96.53	33.81		0.54		0.20	2.21	49.00	5.75	188.03
										<b>Grand Total 6,344.48</b>

Source: *International Gaming & Wagering Business* 16:10 (October 1995).

## Video Lottery Terminals

### Definition and Description

A video lottery terminal (VLT) is a coin-operated, free-standing electronic adaptation of popular games of chance.<sup>4</sup> Players redeem their winning pay slips at the site where they play.

VLTs offer the chance to play different games all on the same VLT. Line-up or "Match 3" games include Lucky 7s, Breakaway, Jackpot Jungle, etc. and video poker games include Joker Poker, Deuces Wild and Jacks or Better.

The prize pay-outs – Dollars won as a proportion of Dollars waged – can vary with the game and province, but in Manitoba the average is about 92%.

### VLT Distribution in Canada

VLTs made their legal debut in Canada in the Atlantic provinces in December 1990, followed by Manitoba in November 1991 and Alberta in 1992.

All provinces in Canada have legalized VLTs except British Columbia and Ontario.

As the following table shows, there were just under 40,000 VLTs in Canada at the end of 1995 generating provincial government revenues of more than \$1.12 billion.



VLT DISTRIBUTION		
Jurisdiction	Number of Legal VLTs	(\$ Millions) 1995 Gov. Rev's
BC	0	0
Alberta	5,709	356.7
Saskatchewan	3,600	101.2
Manitoba	5,200	120
Ontario	0	0
Quebec	14,500	300
Nova Scotia	2,885	90
Prince Edward Island	607	14
New Brunswick	3,721	91
Newfoundland	2,165	49
<i>Total</i>	<i>38,387</i>	<i>1,121.9</i>

Source: "Video gambling: tingles at what cost?" *Canadian-Press Newswire*, 24 May 1996.

## Ontario

Later this year, Ontario will become the latest province to offer VLTs.

The government forecasts that Ontarians will spend about \$460 million on VLTs at race tracks and charity sites, earning the government about \$260 million, charities about \$180 million, while \$46 million is expected to go to local gaming site commissions.<sup>5</sup>

One of the reasons behind legalizing VLTs is that there are an estimated 15,000 to 20,000 illegal VLTs in Ontario; each of which is estimated to generate about \$1,000 per week in revenues, usually split between the owner of the facility where the VLT is situated and the distributor of the VLT.<sup>6</sup>

Ontario plans a three phase implementation:

- Phase One: About 4,000 terminals at Ontario race tracks;
- Phase Two: About 5,000 terminals in 50 permanent, yet-to-be-determined, charity fundraising sites; and
- Phase Three: About 10,000 terminals in hotels, bars and restaurants.<sup>7</sup>

## MAJOR ISSUES IN GAMING

### Revenue Generation

Gaming, and in particular VLTs, are proven money makers for governments. Gaming revenues are appealing for governments coping with shrinking budgets.



For example, in Manitoba, VLTs account for more than half of the government's \$232 million in gaming revenues.

The Ontario Hospitality Industry Coalition believes \$500 million in new non-tax revenue can pour into the Ontario treasury through VLTs.<sup>8</sup>

The allocation of these revenues varies, but common destinations are health and welfare agencies, gambling addiction treatment, charitable organizations and government treasuries.

## Benefits to the Hospitality Industry

In addition to the revenues that accrue to governments, gaming brings jobs and revenues to the operators and local economies. The Ontario Casino Corporation stated that tourists coming to the Windsor Casino will spend more than \$150 million outside of the casino in Windsor's hospitality industry.<sup>9</sup>

Manitoba Lotteries Corporation states that "the VLT program has created about 4,000 jobs."<sup>10</sup>

The Ontario Hospitality Industry Coalition believes that more than 16,000 new jobs can be created through introducing VLTs.<sup>11</sup> Ontario Video Gaming Corporation, a private sector video gaming company, states that "according to the experience of other jurisdictions, video gaming can generate an additional \$800 million in annual revenues for the licensed food service sector in Ontario."<sup>12</sup>

## Impact on Charitable Gaming

Determining the impact of VLTs in general, let alone on charitable gaming, is difficult. A recent Manitoba study concluded "only anecdotal evidence could be found" on the issue.<sup>13</sup> Likewise, an Alberta study stated that "there is very little empirical research illuminating this newest form of gambling."<sup>14</sup>

Charities First Ontario (CFO), a coalition of charities involved in charitable gaming, stated that if VLTs are legalized in the province "charities will lose hundreds of millions of dollars."<sup>15</sup> In contrast, Ontario Video Gaming Corporation claims that "VLTs in charitable bingo halls and at charitable casino events can earn *significant* revenues for the charitable beneficiaries of those events."<sup>16</sup>

## Addiction

Perhaps the biggest fear of policy makers is that vulnerable persons will become addicted, especially with widespread availability of VLTs. For largely that reason, the following provincial actions were taken:



- Manitoba announced earlier this summer that it will roll back the number of VLTs in the province by 500 units so that by year-end they will total about 4,700.<sup>17</sup>
- Three years ago, the Nova Scotia government abruptly removed 2,500 slot machines from such places as corner stores. Now about 2,800 VLTs remain but are restricted to licensed premises.<sup>18</sup>
- On May 24, 1995 B.C. Government Services Minister Ujjal Dosanjh announced a ban on VLTs in the province due to public opposition and fears of addiction.
- In the fall of 1994, Alberta capped the number of VLTs at 6,000 due to concerns from individuals and communities about social problems such as youth gambling and addiction-related issues.

In 1993, the Alberta government commissioned a study by Wynne Resources Ltd. to determine the prevalence of “problem gambling” in the province.<sup>19</sup> That study found that an estimated 5.9% of the population in Alberta were “problem gamblers,” and that 2.7% of the adult population were probable “pathological gamblers.” Overall, the rate of problem and pathological gamblers in Alberta was estimated to be 8.6% of the adult population. Based on these survey results, it was estimated that between 86,400 and 126,800 Alberta residents aged 18 and over could be classified as problem gamblers. In addition, between 35,000 and 62,500 residents aged 18 and over were estimated to be probable pathological gamblers.<sup>20</sup>

In February 1996, the AADAC predicted that the number of problem gamblers seeking help for their addiction - mostly to VLTs - will increase by 75% this fiscal year. In recent surveys of problem gamblers conducted by the AADAC, 57% cited VLTs as their game of choice.<sup>21</sup> A research report prepared by Criterion Research<sup>22</sup> for the Manitoba Lotteries Corporation found that, as of September 1995, 4.3% of Manitobans were problem or pathological gamblers (2.4% problem, 1.9% pathological).

Another concern often voiced with VLTs, is the impact gaming activities have on youth; hence much of the research recommends that gaming activities be placed in age-controlled locations such as pubs and taverns.

## **Native Gaming**

Native gaming is an often contentious issue between First Nations and provincial governments, especially over which side has authority over establishing and managing gaming facilities. Accordingly, “there are just as many different gaming policies as there are provinces to regulate them.”<sup>23</sup>



In Saskatchewan, for instance, First Nations which operate gaming facilities must return 25% of revenues to the province and in return, the province contributes 25% of the revenues from the Regina Casino back to the First Nations. In addition, First Nations will be allowed to negotiate up to five casinos in the province under their management and control.<sup>24</sup>

One of the latest disputes to occur concerns revenue-sharing between the Government of Ontario, the Chippewas of Rama and the 131 other First Nations, from Ontario's newest and Canada's largest casino, Casino Rama near Orillia, 135 kilometres north of Toronto. In February 1996, the government notified all partners in the project that construction work would be stopped until operational and revenue sharing agreements were reached. Ontario's First Nations maintain that the agreement that resulted, in which 20% of Casino Rama's gross revenues will be retained by the government as normal charges for operating a casino, breaks the original contract signed with the previous NDP government. Analysts forecast that benefits to Ontario's First Nations over the first 10 years could exceed \$1 billion.<sup>25</sup>



## NOTES

<sup>1</sup> Connor, Matt, "Indian Gaming Second among Nations," *International Gaming & Wagering Business* 17:4 (April 1996): 34.

<sup>2</sup> Alberta, Alberta Alcohol and Drug Abuse Commission and Harold J. Wynne, *A Description of Problem Gamblers in Alberta: A Secondary Analysis of the Gambling and Problem Gambling in Alberta Study* (Edmonton: The Commission, 1994), p. 16.

<sup>3</sup> The following section draws on "Gambling halls roaring ahead: Provinces expect their casino take to reach \$1.2-billion in 1997," *Globe and Mail*, 7 December 1995, B12.

<sup>4</sup> Manitoba, Manitoba Lottery Corporation, "Video Lottery Terminals," *Fact Sheet*, June 1996.

<sup>5</sup> Carolyn Abraham, "The One-eyed Bandit," *Ottawa Citizen*, 21 May 1996, p. A1.

<sup>6</sup> Ibid.

<sup>7</sup> Ibid.

<sup>8</sup> Ontario Hospitality Industry Coalition, "Video gaming will create jobs, save business, generate \$500 million new revenue," *Press Release*, 1994.

<sup>9</sup> Ontario, Ontario Casino Corporation, "Impact on Tourism: Windsor casino lifts local tourism industry," *Fact Sheet*, 1995.

<sup>10</sup> Manitoba, Manitoba Lotteries Corporation, *1994-1995 Annual Report* ([Winnipeg: The Corporation, September 1995]), p. 40.

<sup>11</sup> Ontario Hospitality Industry Coalition, "Video gaming will create jobs."

<sup>12</sup> Ontario Video Gaming Corporation, *Video Gaming Issues and Answers* ([Toronto]: The Corporation, March 1995), p. 27.

<sup>13</sup> Manitoba, Manitoba Lottery Policy Review Working Group (L.L. Desjardins, Chairman), *Working Group Report* ([Winnipeg]: The Group, December 1995), p. 17.

<sup>14</sup> Alberta, Alberta Alcohol and Drug Abuse Commission, *A Description of Problem Gamblers in Alberta*, p. 89.



<sup>15</sup> Charities First Ontario, *Video Lottery Terminals and the Charitable Gaming Industry: Ravage or Reward?* ([Ontario]: Charities First Ontario, 21 July 1995), p. 1.

<sup>16</sup> Ontario Video Gaming Corporation, *Video Gaming Issues and Answers* ([Toronto]: The Corporation, March 1995), p. 28.

<sup>17</sup> Telephone interview with Susan Olynick, Director, Communications, Manitoba Lotteries Corporation at (204) 957-2500.

<sup>18</sup> "Video gambling: tingles at what cost?" *Canadian-Press Newswire*, 24 May 1996.

<sup>19</sup> Wynne Resources Ltd., *Gambling and Problem Gambling in Alberta: Final Report* (Edmonton: Alberta Lotteries and Gaming, January 1994). Members of the research team included Dr. Harold Wynne of the Edmonton-based research firm of Wynne Resources Ltd., and two independent consultants, Dr. Gary Smith (University of Alberta) and Dr. Rachel Volberg (Gemini Research, Northampton, Massachusetts).

<sup>20</sup> *Ibid.*, p. 49. "Problem gamblers" are defined as those who score 3 or 4 points on the South Oaks Gambling Screen (SOGS). "Pathological gamblers" are defined as those who score 5 points on SOGS. The SOGS measures gambling frequency and estimated expenditures on gambling (see description of the SOGS at pages 9-10 of the report). The study actually gives figures for "lifetime prevalence" and "current prevalence" of problem and pathological gamblers. The figures cited in this paper are for "lifetime prevalence" (see page 48 of the report for a discussion of these terms).

<sup>21</sup> "Number of VLT addicts predicted to increase," *Calgary Herald*, 6 February 1996, p. A2.

<sup>22</sup> Criterion Research Corporation and Manitoba Lotteries Corporation, *Problem Gambling Study: Final Report* (Winnipeg: Criterion Research Corporation, September 1995).

<sup>23</sup> Connor, Matt, "Indian Gaming Second among Nations," *International Gaming & Wagering Business* 17:4 (April 1996): 38.

<sup>24</sup> *Ibid.*

<sup>25</sup> Ontario, Ministry of Economic Development and Trade, "Ministers Saunderson and Harnick announce construction to resume at Casino Rama," *News Release*, 8 March 1996, p. 2.











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